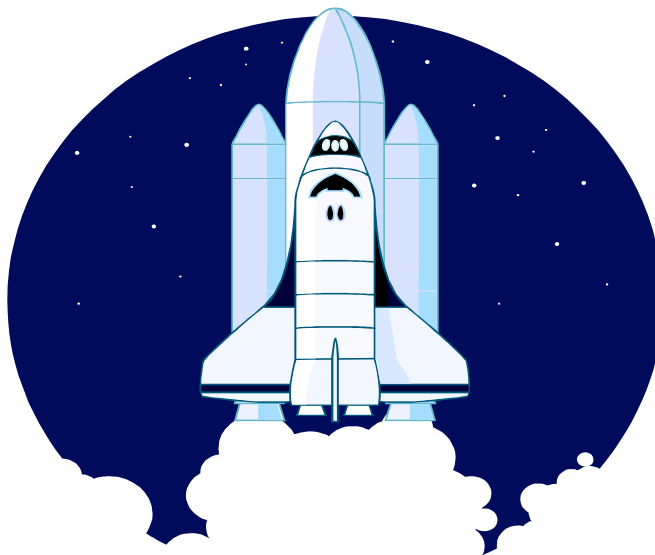




Department of the Environment

RGGI Status: ALL SYSTEMS GO!



Diane Franks

Air and Radiation Management Administration

October 9, 2008





RGGI Auction Launch

September 25th

The First RGGI
Regional Auction

\$3.07

Over 12 Million Sold





CO2 Cap and Trade Programs Begin

10 State Effort

Environment and
Energy Departments
Together

The First in the Nation





Encouraged Development

Similar Programs in
Other States

Futures Markets on
CCX and NYMEX

Incent Federal Action





Topics Covered

- Quick Program Review
- Maryland Specific Pieces
- Finance Legislation
- Auction





Regional Greenhouse Gas Initiative

- Groundwork
 - Data Assembly
 - Impacts Analysis
 - Stakeholder Process
- Policy Research & Deliberation





Observations on the Process

- Staff Working Group
→ Agency Heads →
Governors
- Unprecedented
Collaboration between
Energy &
Environmental
Agencies
- Expert Input from
ISOs, Environmental &
Energy Think Tanks,
etc.
- Extensive Stakeholder
Input (two-plus year
regional process)





RGGI Program Components

- Start Date of January 1, 2009
- Covers Fossil-Fired Electric Generating Units 25 Megawatts and larger
- Two-Phase Cap-- Stabilize Emissions through 2014; Reduce 10% by 2018
- Comprehensive Program Review in 2012





RGGI Program Components

- Three-Year Compliance Period
- Banking Allowed (no limit)
- Allocations:
 - Minimum 25% allocation for Consumer Benefit and/or Strategic Energy Purpose, as defined in MOU (e.g., support end-use energy efficiency)
 - Remaining 75% allocated at discretion of each state
 - States comprising majority of regional emissions budget have committed to or are considering 100% auction with revenues to provide consumer benefits
- Limited use of offsets





Maryland Specific Elements

- University of Maryland Study
- Long-Term Contract Set-Aside
- Voluntary Renewable Set-Aside
- Limited Industrial Exemption Set-Aside





The University of Maryland Studies

January and September 2007

- RGGI can be implemented in Maryland without significant impacts on cost to consumers, electricity reliability and profits to generators
- 100% Auction (and efficient investment of the proceeds into energy efficiency) will:
 - Decrease costs to consumers
 - Decrease concerns over reliability
 - Reduce leakage, and
 - Allow generators to remain profitable
- New study varying levels of investment





Long-Term Contracts

- Generators with long-term contracts that don't allow allowance cost pass-through requested consideration
- Maryland proposed a set aside for long-term contract plants
 - 1,698,191 allowances
- Long-term contract generators can apply for an exemption if the financial viability of the plant is threatened; high hurdle
- The Department has been working with long-term contract generators
- Unused set-aside allowances flow back into the auction pool





Set Asides for Renewables/Clean Energy

- Maryland set aside 0.5% of the allocated allowances to support renewable energy projects or clean energy projects
- Renewable Energy Credits can be surrendered for retirement
- Worked with stakeholders to develop a process to carry out the exchange





Limited Exemptions

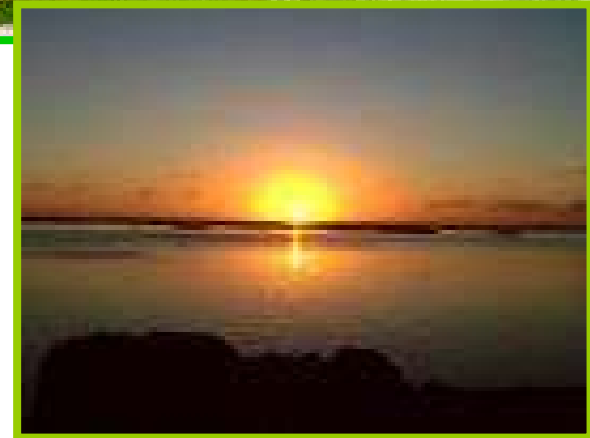
- RGGI applies to electric generating units over 25 megawatts
- RGGI allows affected sources that provide less than 10% of the electricity they generate to the grid to be exempted from RGGI
- The Department included this option in the regulation but exemptions will be considered on a case by case basis
- In order to receive an exemption the source must have a climate change plan
 - “Reasonably Available Reduction Practices”





Upcoming Amendments

- Commitment by MDE during the 2008 Legislative Session
- Provide an incentive for development of new 'clean' in-state capacity
- Effective by January 1, 2009
- No more than 5% of MD allocation
- Eligible CO₂ budget units:
 - Commence operation after January 1, 2009
 - Use a gaseous fuel as its primary fuel,
 - Apply Best Available Control Technology (BACT) or Lowest Achievable Emission Rates (LAER)





Funding Legislation

- MD Legislature established a fund to hold auction proceeds: Strategic Energy Investment Fund (SEIF)
- Set a template for how the SEIF would be spent
- 46% will be spent on energy efficiency programs
- 10.5% will be spent on renewable energy projects, public education for climate change programs and climate change programs
- Rest for rate payer relief





The Auction

- Quarterly auctions
- Uniform Price, Sealed Bid
- Open auctions with limit of 25% purchase by single entity
 - Enhance competition and limit collusion
- Auction future allowances in advance
 - Provides certainty regarding future allowance prices and availability
 - Ability to purchase allowances at lower price
- Lot size of 1000
 - Reduces transaction costs
 - Limits external pressure from non-compliance entities
- Market Monitoring Program





Comments?

- Auction Materials
- Auction Process
- Regulations
- Questions?

